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**Community Support Programs, Inc.
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended June 30, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/14/07

Community Support Programs, Inc.

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 12
Supplemental Information Schedules	
Combining Schedule of Activities	13 – 14
Schedule of Expenditures of Federal Awards	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16 – 17
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	18 – 19
Summary Schedule of Prior Audit Findings	20 – 22
Schedule of Findings and Questioned Costs	23 – 26
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor	27 – 29

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Independent Auditors' Report

To the Board of Directors
Community Support Programs, Inc.

We have audited the accompanying statements of financial position of Community Support Programs, Inc. as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Community Support Programs, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Support Programs, Inc. at June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006, on our consideration of Community Support Programs, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Community Support Programs, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information on pages 13–14 is presented for additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
December 22, 2006

Community Support Programs, Inc.
Statements of Financial Position
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash	\$ 152,293	\$ 184,087
Grants receivable	220,629	238,755
Total current assets	<u>372,922</u>	<u>422,842</u>
Property and equipment:		
Property and equipment	885,252	902,852
Accumulated depreciation	(387,303)	(360,902)
Net property and equipment	<u>497,949</u>	<u>541,950</u>
Total Assets	<u><u>\$ 870,871</u></u>	<u><u>\$ 964,792</u></u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 195,751	\$ 116,897
Accounts payable	14,483	121,906
Accrued expenses	32,793	57,938
Current portion of long-term debt	12,318	11,314
Refundable advance	88,332	65,332
Total current liabilities	<u>343,677</u>	<u>373,387</u>
Long-term debt, less current portion	<u>22,854</u>	<u>35,150</u>
Total liabilities	<u>366,531</u>	<u>408,537</u>
Net assets:		
Unrestricted:		
Operating	(260,778)	(242,757)
Designated	267,169	257,062
Fixed assets	<u>497,949</u>	<u>541,950</u>
Total net assets	<u>504,340</u>	<u>556,255</u>
Total Liabilities and Net Assets	<u><u>\$ 870,871</u></u>	<u><u>\$ 964,792</u></u>

The accompanying notes are an integral part of the financial statements.

Community Support Programs, Inc.
 Statements of Activities
 For the Years Ended June 30, 2006 and 2005

	Unrestricted	
	2006	2005
Revenues and Other Support:		
Contractual revenue - grants	\$ 1,521,309	\$ 1,881,897
Client fees	19,266	20,445
Donations	10,265	3,708
Development fees	26,574	84,644
Miscellaneous revenues	87,965	32,413
Total revenues and other support	1,665,379	2,023,107
Expenses:		
Program services	1,656,023	1,933,890
General administration	61,271	64,087
Total expenses	1,717,294	1,997,977
Changes in net assets	(51,915)	25,130
Net assets, beginning of year	556,255	531,125
Net assets, end of year	\$ 504,340	\$ 556,255

The accompanying notes are an integral part of the financial statements.

Community Support Programs, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2006 and 2005

Expenses:	2006		
	Program	General	Total
Salaries and wages	\$ 835,132	\$ 13,481	\$ 848,613
Payroll taxes and benefits	133,954		133,954
Travel	16,060	1,038	17,098
Operating services	297,050	11,459	308,509
Supplies	31,900	998	32,898
Professional fees	296,038	4,992	301,030
Equipment	1,650		1,650
Interest		17,647	17,647
Depreciation	39,252	4,749	44,001
Miscellaneous	4,987	6,907	11,894
Total expenses	<u>\$ 1,656,023</u>	<u>\$ 61,271</u>	<u>\$ 1,717,294</u>

Expenses:	2005		
	Program	General	Total
Salaries and wages	\$ 856,883	\$ 29,075	\$ 885,958
Payroll taxes and benefits	132,762	5,344	138,106
Travel	38,647	154	38,801
Operating services	274,028	5,911	279,939
Supplies	35,180	1,251	36,431
Professional fees	272,295		272,295
Equipment	13,541		13,541
Interest	25	12,117	12,142
Depreciation	38,923	10,235	49,158
Cost of homes constructed - Neighborhood Recovery Program	154,055		154,055
Mini-grants	80,000		80,000
Miscellaneous	37,551		37,551
Total expenses	<u>\$ 1,933,890</u>	<u>\$ 64,087</u>	<u>\$ 1,997,977</u>

The accompanying notes are an integral part of the financial statements.

Community Support Programs, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

Operating Activities	<u>2006</u>	<u>2005</u>
Change in net assets	\$ (51,915)	\$ 25,130
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,001	49,158
(Increase) decrease in operating assets:		
Grants receivable	18,126	33,182
Increase (decrease) in operating liabilities:		
Accounts payable	(107,423)	(23,269)
Accrued liabilities	(25,145)	(10,656)
Deferred revenue		(20,000)
Refundable advance	23,000	39,390
Net cash provided by (used in) operating activities	<u>(99,356)</u>	<u>92,935</u>
 Investing Activities		
Payments for property and equipment		(26,248)
Net cash used in investing activities		<u>(26,248)</u>
 Financing Activities		
Proceeds from line of credit	375,725	263,970
Payments on line of credit	(296,871)	(285,825)
Payments of long-term debt	(11,292)	(10,424)
Net cash provided by (used in) financing activities	<u>67,562</u>	<u>(32,279)</u>
 Net increase in cash	(31,794)	34,408
 Cash as of beginning of year	<u>184,087</u>	<u>149,679</u>
 Cash as of end of year	<u>\$ 152,293</u>	<u>\$ 184,087</u>

Supplemental Disclosure:

Operating activities reflect interest paid in 2006 and 2005 of \$15,588 and \$11,835, respectively.

The accompanying notes are an integral part of the financial statements.

Community Support Programs, Inc.
Notes to Financial Statements
June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Community Support Programs, Inc., (CSP) is a nonprofit corporation under the laws of the State of Louisiana. CSP exists to serve the client/family and to enhance each person's opportunity to live successfully in the community. Through the provision of advocacy, direct and indirect services, housing, and coordination with other social service providers, CSP, Inc. offers unique and innovative programs. The following programs are administered by CSP with their approximate percentages of total revenues:

OUAD (11%) – Provides funding for community services in Legislative District 4. Activities include mini-grants to neighborhood groups and homeless programs. Funding is provided by state funds from the Governor's Office of Urban Affairs and Development.

Portals (18%) — Provides coordinated, site or home based Respite Care focused on alleviation of stress or crisis in the foster or adoptive home that endangers the permanence of the family for the child. Funding is provided by federal funds passed through the State of Louisiana, Department of Social Services, Office of Community Services.

Project Reach (16%) – Provides a resident facility with a capacity of nine beds for homeless dually diagnosed (mentally ill/chemical abusers) adults. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

Case Management (11%) – Provides case management and crisis services to client of the Office of Mental Health. Funding is provided by state funds from the State of Louisiana, Department of Health and Hospitals, Office of Mental Health.

Transitions (3%) – Provides up to 24 months of supported living services for the homeless mentally ill. This program is funded with federal funds from the U.S. Department of Housing and Urban Development.

Emergency Shelter Grants (3%) – Account for certain expenditures designed to improve the quality of emergency shelters for the homeless. This program helps maintain the agency's crisis shelter and transitional housing. This program is funded by federal funds from the U.S. Department of Housing and Urban Development passed through the City of Shreveport.

Housing Development — Provides funding to develop housing for the homeless mentally ill. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

Section 8 Housing (12%) – Provides Section 8 housing to eligible disabled clients in need by allowing clients to locate their own housing units and by supplementing their rent or utilities at the unit. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

Hearthstone (1%) – Provides assistance to low-income families as well as the city's faltering neighborhoods with the building of new energy efficient housing. Housing costs are leveraged to lower the cost for first-time homebuyers. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development passed through the City of Shreveport.

Neighborhood Recovery Project (10%) – Provides housing to individuals identified by the City of Shreveport who are residing in condemned housing, have income at or below 50% of the median income, and have no means of improving their living conditions. Funding is provided by federal funds passed through the City of Shreveport.

(Continued)

Community Support Programs, Inc.
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

CHDO (1%) – Provides operational support in coordination with agency programs for developing low-income housing. Funding is provided by federal funds passed through the City of Shreveport.

Bridges (13%) – Provides a safe, comfortable residence for persons diagnosed with severe mental illness who cannot or will not participate in available housing and social service programs. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

FEMA (1%) – Provides funding to supplement agency's other programs in providing food and shelter for needy individuals. Funding is provided by federal funds from the U.S. Federal Emergency Management Agency.

B. Basis of Accounting

The financial statements of CSP have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

CSP is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, and therefore, is not subject to income taxes. However, income from certain activities not directly related to CSP's tax-exempt purpose is subject to taxation as unrelated business income. CSP had no such income for this audit period.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

CSP's cash, as stated for cash flow purposes, consists of interest bearing and non-interest bearing bank accounts. CSP has no other assets that are considered cash equivalents.

G. Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The State of Louisiana and the federal government have a reversionary interest in property purchased with state and federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state and federal regulations.

(Continued)

Community Support Programs, Inc.
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

H. Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Compensated Absences

Employees may accrue annual leave up to 15 days. Upon an employee's separation of employment, *earned and/or accrued leave will be paid up to a maximum of 15 days. Employees can also accrue sick leave, but accumulated sick leave is forfeited upon separation of employment.*

J. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject CSP to concentrations of credit risk consist principally of temporary cash investments and grants receivable. Concentrations of credit risk with respect to grants receivable are limited due to these amounts being due from governmental agencies under contractual terms. CSP maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$100,000 at each institution. At June 30, 2006, total cash balances held at financial institutions was \$189,238. Of this amount, \$148,896 was insured by FDIC and the remaining \$40,342 was unsecured. At June 30, 2005, total cash balances held at financial institutions was \$212,799. Of this amount, \$172,645 was insured by FDIC and the remaining \$40,154 was unsecured.

(3) Grants Receivable

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or agreements. This balance represents amounts due from funding sources at June 30, 2006 and 2005, but received after that date.

(Continued)

Community Support Programs, Inc.
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

(4) Property and Equipment

Property and equipment consisted of the following at June 30, 2006:

	Estimated Depreciable Life	Purchased With State Or Federal Funds	Purchased With Operating Funds	Total
Land	n/a	\$ 53,774	\$ 22,046	\$ 75,820
Buildings and improvements	20-30 years	606,705	27,234	633,939
Vehicles	5 years	21,628		21,628
Furniture and equipment	5-7 years	120,107	33,758	153,865
Accumulated depreciation		(344,921)	(42,382)	(387,303)
Net investment in property and equipment		<u>\$ 457,293</u>	<u>\$ 40,656</u>	<u>\$ 497,949</u>

Depreciation expense for the year ended June 30, 2006 was \$44,001.

Property and equipment consisted of the following at June 30, 2005:

	Estimated Depreciable Life	Purchased With State Or Federal Funds	Purchased With Operating Funds	Total
Land	n/a	\$ 53,774	\$ 22,046	\$ 75,820
Buildings and improvements	20-30 years	606,706	27,233	633,939
Vehicles	5 years	36,378	-	36,378
Furniture and equipment	5-7 years	111,114	45,601	156,715
Accumulated depreciation		(315,843)	(45,059)	(360,902)
Net investment in property and equipment		<u>\$ 492,129</u>	<u>\$ 49,821</u>	<u>\$ 541,950</u>

Depreciation expense for the year ended June 30, 2005 was \$49,158.

(5) Line of Credit

The agency has a line of credit at a local bank, with an adjustable interest rate of .5% per annum less than the prime lending rate of Bank One, Louisiana, National Association. The loan is secured by any and all of CSP's present and future accounts receivable, present and future inventory, related equipment, other personal property including present and future general intangibles and agency real estate. The line of credit has a limit of \$200,000, with an outstanding balance at June 30, 2006 and 2005 of \$195,751 and \$116,897, respectively. Interest expense incurred on the line of credit for the years ended June 30, 2006 and 2005 was \$12,021 and \$7,400, respectively.

(6) Refundable Advance

CSP records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(Continued)

Community Support Programs, Inc.
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

(7) Accrued Expenses

An analysis of accrued expenses at June 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Accrued salaries and wages	\$ 17,519	\$ 14,979
Accrued leave payable	12,418	15,851
Accrued payroll taxes	<u>2,856</u>	<u>27,108</u>
	<u>\$ 32,793</u>	<u>\$ 57,938</u>

(8) Contractual Revenue – Grants

During the years ended June 30, 2006 and 2005, CSP received contractual revenue from federal and state grants in the amount of \$1,521,309 and \$1,881,897, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(9) Development fees

These balances represent fees received on the apartment complexes for which CSP serves as the Managing General Partner.

(10) Leases

The agency leases certain buildings and equipment under operating leases. The rental costs on these items for the years ended June 30, 2006 and 2005 were \$67,369 and \$62,747, respectively.

CSP has entered into an operating lease for building space. The lease allows for early termination after the twenty-fourth month of the lease term, should CSP's public funding become inadequate to meet the obligations of the lease. However, a termination penalty of \$37,102 would be assessed. The maturities noted below include the remainder of the twenty-four month lease term plus the termination penalty.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending June 30,	
2007	\$ 44,921
2008	7,516
2009	<u>1,200</u>
Total minimum future rentals	<u>\$ 53,637</u>

(11) Pension Plan

CSP has a defined contribution pension plan in which employees meeting certain criteria are eligible to participate in the plan. CSP's employer's contribution on behalf of the participant is 4% of the participant's compensation. The amount contributed by CSP during the years ended June 30, 2006 and 2005 was approximately \$26,871 and \$33,263, respectively.

(Continued)

Community Support Programs, Inc.
Notes to Financial Statements
June 30, 2006 and 2005
(Continued)

(12) Long-term Debt

Long-term debt at June 30, 2006, consisted of the following:

Mortgage payable to a bank, interest rate 8.5%, payable in 119 monthly installments of \$1,238.34, including interest, with one final payment for the balance due February 20, 2009, secured by a collateral mortgage note	\$ 35,172
Less current installments	<u>(12,318)</u>
Long-term portion	<u>\$ 22,854</u>

Approximate maturities of long-term debt are summarized as follows:

For the Year Ending June 30,	Approximate Amount
2007	\$ 12,318
2008	13,412
2009	<u>9,442</u>
	<u>\$ 35,172</u>

For the years ended June 30, 2006 and 2005, the Agency incurred interest expense of \$3,567 and \$4,436, respectively.

(13) Partnership Investments

CSP has entered into limited partnerships as a General Partner for various Louisiana Partnerships in Commendam. The partnerships are organized and operated for the construction, ownership and management of apartment complexes in Louisiana. The complexes are operated under the HOME Affordable Rental Housing Program through regulatory agreements with the Louisiana Housing Finance Agency. CSP entered into Management Sub-Contracts, in which they will co-manage the Partnerships. CSP's ownership percentage of each partnership is .05%.

(14) Cost of Homes Constructed – Neighborhood Recovery Program

Under CSP's NRP program, four homes are to be built and donated to eligible families under the City of Shreveport CHDO Program. During the year ended June 30, 2005, CSP built and donated two homes to eligible families. The cost of constructing those homes is shown as Cost of Homes Constructed–Neighborhood Recovery Program in the accompanying financial statements.

(15) Designated Assets

The designated net assets at June 30, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Hearthstone Program:		
Proceeds from sale of homes –		
to be reinvested in future homes	\$ 96,914	\$ 96,914
Proceeds from sale of homes–		
to be used in renovations of		
HUD facilities	100,000	100,000
Section 8 Housing	<u>70,255</u>	<u>60,148</u>
	<u>\$ 267,169</u>	<u>\$ 257,062</u>

Community Support Programs, Inc.
Combining Schedule of Activities
For the Year Ended June 30, 2006

	OUAD	Portals	Project Reach	Case Management	Transitions	Emergency Shelter Grants	Housing Development	Section 8 Housing
Revenues and Other Support:								
Contractual revenue-grants	\$ 53,972	\$ 362,152	\$ 319,684	\$ 186,700	\$ 64,232	\$ 25,877	\$	\$ 225,272
Client fees			8,000		11,266			
Donations	100		50	3,020				
Development fees								
Miscellaneous revenues			3,203					15
Total revenues and other support	54,072	362,152	330,937	189,720	75,498	25,877		225,287
Expenses and losses:								
Salaries and wages	13,488	212,588	230,207	128,688	37,521		5	2,806
Payroll taxes and benefits	1,539	31,348	35,979	19,429	6,152	224	1	304
Travel	(1,198)	2,801	338	8,973	2,288			8
Operating services	40,069	94,213	36,677	20,833	24,890	42,806	222	587
Supplies	11	4,788	11,356	2,198	1,654	241	54	11
Professional fees	1,291	18,211	14,484	30,304	2,825		4,000	211,463
Equipment		1,650						
Interest								
Depreciation	2,406	2,538	10,501		7,811			
Miscellaneous	(14)	1,429	1,916	931	169			
Total expenses and losses	57,592	369,566	341,438	211,356	83,310	43,271	4,282	215,179
Change in net assets	(3,520)	(7,414)	(10,501)	(21,636)	(7,812)	(17,394)	(4,282)	10,108
Net assets, beginning of year	(1,304)	(8,265)	179,062	7,523	32,707	315	(45,306)	60,148
Net assets, end of year	\$ (4,824)	\$ (15,679)	\$ 168,561	\$ (14,113)	\$ 24,895	\$ (17,079)	\$ (49,588)	\$ 70,256

(Continued)

Community Support Programs, Inc.
Combining Schedule of Activities
For the Year Ended June 30, 2006
(Continued)

	Hearthstone	Neighborhood Recovery Project	CHDO	Bridges	FEMA	General Administration	Total
Revenues and Other Support:							
Contractual revenue-grants	\$	\$	\$ 3,339	\$ 274,094	\$ 5,987	\$	\$ 1,521,309
Client fees							19,266
Donations						7,095	10,265
Development fees						26,574	26,574
Miscellaneous revenues						84,502	87,965
Total revenues and other support	245		3,339	274,094	5,987	118,171	1,665,379
Expenses and losses:							
Salaries and wages			2,314	202,222	5,293	13,481	848,613
Payroll taxes and benefits			1,826	36,457	695		133,954
Travel			914	1,936		1,038	17,098
Operating services			434	36,320		11,459	308,510
Supplies			(1)	11,588		998	32,898
Professional fees			560	12,920		4,992	301,030
Equipment							1,650
Interest						17,647	17,647
Depreciation				15,996		4,749	44,001
Miscellaneous				555		6,907	11,893
Total expenses and losses			6,047	317,994	5,988	61,271	1,717,294
Change in net assets	245		(2,708)	(43,900)	(1)	56,900	(51,915)
Net assets, beginning of year	209,704	26,386	2,739	158,708		(66,162)	556,255
Net assets, end of year	\$ 209,949	\$ 26,386	\$ 31	\$ 114,808	\$ (1)	\$ (9,262)	\$ 504,340

Community Support Programs, Inc.
Shreveport, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Project Number	Grant Period	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Supportive Housing Program - Transitional Housing	14.235	LA48B302012	2/05 - 1/06 & 2/06 - 1/07	\$ 75,499
Supportive Housing Program - Project Reach	14.235	LA48B102006 & LA48B202010	1/05 - 12/05 & 1/06 - 12/06	324,087
Supportive Housing Program - Bridges	14.235	LA48B302005 & LA48B402016	4/05 - 3/06 & 4/06 - 03/07	274,094
Section 8 Housing Choice Vouchers	14.871	LA888VO	N/A	215,179
Passed through the City of Shreveport:				
Emergency Shelter Grants Program				
Round XXXV - Reach	14.231	N/A	1/06 - 12/06	304
Round XXXV - Transitions	14.231	N/A	1/06 - 12/06	2,688
Round XXXV - Bridges	14.231	N/A	1/06 - 12/06	323
Round XXXVI - Reach	14.231	N/A	1/06 - 12/06	3,016
Round XXXVI - Transitions	14.231	N/A	1/06 - 12/06	3,538
Round XXXVI - Bridges	14.231	N/A	1/06 - 12/06	2,940
Round XXXVII - Reach	14.231	N/A	1/06 - 12/06	1,795
Round XXXVII - Transitions	14.231	N/A	1/06 - 12/06	2,142
Round XXXVII - Bridges	14.231	N/A	1/06 - 12/06	2,266
Round XXXVIII - Reach	14.231	N/A	1/07 - 12/07	6,864
CHDO Operating	14.239	2003000000486	1/04 - 12/04	3,339
<u>U.S. Department of Health and Human Services</u>				
Passed through the State of Louisiana, Department of of Social Services, Office of Community Services:				
Portals				
Adoption Opportunities - Portals Respite	93.556	587437		335,197
	93.652	604284		21,988
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter	97.024	N/A	11/04 - 10/05	2,994
Total Federal Expenditures				\$ 1,278,253

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Community Support Programs, Inc.
Shreveport, Louisiana

We have audited the financial statements of Community Support Programs, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Support Programs, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Community Support Programs, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-B1 and 2006-B2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, of the reportable conditions described above, we consider item 2006-B1 to be a material weakness. We also noted other matters involving the internal control over financial reporting which we have reported to management of Community Support Programs, Inc. in a separate management letter dated December 22, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Support Programs, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long, sweeping horizontal line extending to the right.

Cook & Morehart
Certified Public Accountants
December 22, 2006

COOK & MOREHART

Certified Public Accountants

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Directors
Community Support Programs, Inc.
Shreveport, Louisiana

Compliance

We have audited the compliance of Community Support Programs, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Community Support Programs, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Support Program, Inc.'s management. Our responsibility is to express an opinion on Community Support Program, Inc.'s compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Support Program, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community Support Program, Inc.'s compliance with those requirements.

As described in items 2006-C2, 2006-C3, and 2006-C4 in the accompanying schedule of findings and questioned cost, Community Support Programs, Inc., did not comply with the following requirements: allowable costs / cost principles that are applicable to its Reach, Transitions, Bridges, and Portals programs; cash management requirements that are applicable to its Reach and Bridges programs; and reporting requirements that are applicable to its Transitions program. Compliance with such requirements is necessary, in our opinion, for Community Support Programs, Inc., to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Community Support Program, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Community Support Programs, Inc. is responsible for establishing and maintaining

effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Support Program, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Community Support Program's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-C1.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
December 22, 2006

Community Support Programs, Inc.
Summary Schedule of Prior Audit Findings
June 30, 2006

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

2005-C1 Supportive Housing Program – Project Reach, Transitions, Bridges, and Crossroads II – CFDA # 14.235; Portals Program – CFDA # 93.556

REPORTABLE CONDITION

We noted the following concerning the agency's financial management system:

- The accounting records, including general ledger and bank reconciliations, were not maintained on an accurate and current basis throughout the year.
- Bank reconciliations were not reviewed and approved by a responsible individual during the year.
- Financial reports submitted to the various funding sources were not reconcilable to the underlying accounting records.
- In-house budgetary financial statements comparing budgeted to actual results were not utilized throughout the year for monitoring purposes.
- The agency's procedures require two signatures on all checks written over \$500. We noted numerous checks over \$500 with only one signature.

Recommendation: We recommend that the agency establish procedures to ensure that it has an appropriate financial management system in place and that all financial activity is properly monitored on a regular and consistent basis. We further recommend the following:

- The agency's accounting records, including general ledger and bank reconciliations, should be brought up to date immediately and should be maintained on an accurate and current basis.
- Bank reconciliations should be reviewed and approved by a responsible individual on a monthly basis.
- Financial reports submitted to the various funding sources should be prepared from/ reconciled to the underlying accounting records prior to submission. Such reconciliations should be kept in an orderly and organized manner to allow for subsequent reviews.
- In-house budgetary financial statements should be utilized in monitoring the agency's financial position throughout the year.
- The agency should follow its procedure of requiring two signatures on all checks over \$500.

Current Status: Some improvement noted. See repeat comment in current year audit.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2005-C2 Supportive Housing Program – Project Reach, Transitions, Bridges, and Crossroads II – CFDA # 14.235

REPORTABLE CONDITION

Statement of Condition: During our audit, we tested the required match for the Reach program. We noted that the match requirement was initially calculated incorrectly by agency staff and the amounts claimed as match were not correct.

Recommendation: We recommend a supervisory review by agency personnel who understand the match requirements, calculations, and allowable items to be claimed as match. We further recommend that the agency establish a system for tracking, summarizing, and filing supporting documents for the match requirements in an organized manner.

Current Status: Improvement noted. No comment in current year audit.

(Continued)

Community Support Programs, Inc.
Summary Schedule of Prior Audit Findings
June 30, 2006
(Continued)

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

2005-C3 Supportive Housing Program – Project Reach, Transitions, Bridges, and Crossroads II – CFDA # 14.235; Portals Program – CFDA # 93.556

FINDING

Statement of Condition: During our audit, we tested various agency disbursements for compliance with applicable cost allocation provisions contained in OMB Circular A-133 Compliance Supplement and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. We noted that the agency was utilizing a cost allocation plan; however, it did not appear that the basis for allocation used by the agency was a reasonable basis for all costs allocated.

Recommendation: We recommend that the agency update its cost allocation plan utilizing reasonable bases for costs being allocated.

Current Status: Some improvement noted. See repeat comment in current year audit.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

2005-C4 Supportive Housing Program – Project Reach, Transitions, Bridges, and Crossroads II – CFDA # 14.235; Portals Program – CFDA # 93.556

FINDING

Statement of Condition: During our audit, we noted that the agency had not performed a physical inventory during the past two years.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the equipment and real property management requirements, including performing a physical inventory at least once every two years and reconciling the results of the physical inventory to the equipment records.

Current Status: Physical inventory was performed. No comment in current year audit.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2005-C5 Supportive Housing Program – Project Reach, Transitions, Bridges, and Crossroads II – CFDA # 14.235

REPORTABLE CONDITION

Statement of Condition: During our audit testing of the agency's financial reports for the Project Reach and Transitions programs, we noted the following:

- Project Reach was billed twice in error for one month, resulting in excess funds received of \$22,751. This amount is included in refundable advances in the accompanying Statements of Financial Position.
- Transitions monthly requests for funds were not completed timely during the year.
- The Annual Progress Report for the Transitions grant-period ending January 31, 2005 was not filed until December, 2005.

(Continued)

Community Support Programs, Inc.
Summary Schedule of Prior Audit Findings
June 30, 2006
(Continued)

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the reporting requirements applicable to these programs. We also recommend that the excess funds received of \$22,751 be resolved with the funding source.

Current Status: See repeat condition in current year audit.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2005-C6 Portals Program – CFDA # 93.556

FINDING

Statement of Condition: During our audit, we tested the required match for the Portals program. The agency was unable to locate supporting documents for \$8,750 selected for testing.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the matching requirement, including periodic monitoring of the match throughout the program year. We further recommend that the agency correspond its funding source to resolve this questioned cost.

Current Status: Improvement noted. No comment in current year audit.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2005-C7 Portals Program – CFDA # 93.556

REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the reports filed for the Portals program were not in agreement with or reconcilable to the agency's general ledgers.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the reporting requirements applicable to this program.

Current Status: Improvement noted. No comment in current year audit.

Community Support Programs, Inc.
Schedule of Findings and Questioned Costs
June 30, 2006

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Community Support Programs, Inc.
2. Two reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. One of these conditions, item 2006-B1, is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Community Support Programs, Inc. were disclosed during the audit.
4. One reportable condition relating to the audit of the major federal award programs is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for Community Support Programs, Inc. expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were: Project Reach, Transitions, Bridges, and Crossroads II, CFDA #14.235; and Portals, CFDA #93.556.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Community Support Programs, Inc. did not qualify as a low-risk auditee.

B. Findings – Financial Statements Audit:

2006-B1 - REPORTABLE CONDITION - MATERIAL WEAKNESS

Statement of Condition: As of June 30, 2006, the agency had an operating net asset (deficit) of (\$260,778).

Cause: The operating net asset (deficit) is the result of the agency's operations not being properly budgeted within the existing programs being administered by the agency.

Recommendation: We recommend that the agency employ better budgeting practices to eliminate deficit spending in the future and that management and the Board of Directors meet on a periodic basis to monitor the agency's financial position and to formulate financial plans to eliminate the deficits.

(Continued)

Community Support Programs, Inc.
Schedule of Findings and Questioned Costs
June 30, 2006
(Continued)

Management Response: Community Support Programs, Inc. has placed the accounting oversight function with a reputable accounting firm, Heard, McElroy and Vestal, which is proficient in fund accounting as of June, 2005. Daily bookkeeping functions will take place at the agency with close oversight by the firm's personnel. All policies, procedures and practices are being reviewed to determine if they are appropriate; if not new ones will be implemented to employ better budgeting practices. Management staff will be continually informed regarding their budgets and financial reports will be rendered monthly or more frequently if warranted. All programs are being evaluated to determine if they should continue and if they continue, staff will ensure the programs' revenue is meeting or exceeding the expenses. It is expected that the operating expenses will be monitored continually to ensure there is no deficit in the following fiscal year.

2006-B2 - REPORTABLE CONDITION

Statement of Condition and Criteria: During our audit, we noted the following concerning the agency's financial management system:

- Bank reconciliations were not reviewed and approved by a responsible individual during the year.
- In-house budgetary financial statements comparing budgeted to actual results were not utilized throughout the year for monitoring purposes.

Cause: The agency did not have proper monitoring procedures in place during the year to ensure that its financial management system was adequate and functioning properly.

Recommendation: We recommend that the agency establish procedures to ensure that it has an appropriate financial management system in place and that all financial activity is properly monitored on a regular and consistent basis. We further recommend the following:

- Bank reconciliations should be reviewed and approved by a responsible individual on a monthly basis.
- In-house budgetary financial statements should be utilized in monitoring the agency's financial position throughout the year.

Management Response: Community Support Programs, Inc. has engaged an accounting firm to provide oversight to the accounting function in the agency. The accounting firm staff will review and approve the bank reconciliations during the year. Management staff will be provided with financial statements and budget forecasts to monitor their expenditures and revenue to ensure the expenses at least meet revenue.

C. Findings and Questioned Costs – Major Federal Award Programs Audit:

2006-C1 Supportive Housing Program – Project Reach, Transitions, Bridges, and Crossroads II – CFDA # 14.235; Portals Program – CFDA # 93.556

REPORTABLE CONDITION

As discussed in Reportable Condition 2006-B2, we noted the following concerning the agency's financial management system:

- Bank reconciliations were not reviewed and approved by a responsible individual during the year.
- In-house budgetary financial statements comparing budgeted to actual results were not utilized throughout the year for monitoring purposes.

(Continued)

Community Support Programs, Inc.
Schedule of Findings and Questioned Costs
June 30, 2006
(Continued)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2006-C2 Supportive Housing Program – Project Reach and Bridges – CFDA # 14.235

FINDING

Statement of Condition: During our audit testing of the agency's cash management and draw-down of federal funds for the Project Reach and Bridges programs, we noted the following:

- Project Reach was billed twice in error for two months, resulting in excess funds received of \$9,641. This amount is included in refundable advances in the accompanying Statements of Financial Position.
- Bridges was billed twice in error for one month tested.

Criteria: The contract documents set forth the draw-down requirements for these programs.

Effect of Condition: Agency requested and received excess funds that could not be supported at the time of the request.

Cause: Adequate controls were not in place to ensure compliance with this requirement.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the cash management requirements applicable to these programs. We also recommend that the excess funds received of \$9,641 be resolved with the funding source.

Management Response: Community Support Programs, Inc. erroneously billed on future contract years. U.S. Department of Housing and Urban Development was immediately informed of the issue upon discovery. It has been resolved. The current contract was reduced by \$9,641 to accommodate for the error.

Management has implemented a procedure to avoid this problem in the future. The Division Director along with the bookkeeper bill each program.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2006-C3 Supportive Housing Program --Transitions – CFDA # 14.235

FINDING

Statement of Condition: During our audit, we tested the Agency's Annual Progress Report for the Transitions grant period ending January 31, 2006 and noted the following:

Reported expenditures	\$ 77,075
Actual expenditures	<u>63,725</u>
Excess funds received	<u>\$ 13,350</u>

Criteria: The contract documents set forth the reporting requirements for this program.

(Continued)

Community Support Programs, Inc.
Schedule of Findings and Questioned Costs
June 30, 2006
(Continued)

Effect of Condition: The agency requested and received excess funds in the amount of \$13,350 which were not expended during the grant period.

Cause: Adequate controls were not in place to ensure compliance with the reporting requirement.

Recommendation: We recommend that all financial reports be reconciled with the general ledger prior to submission. We further recommend that the agency consult with its funding source concerning the disposition of the excess funds received.

Management Response: Community Support Programs, Inc. has determined that the \$13,350 was incorrectly allocated during the year on the general ledger and that corrections will be made.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

2006-C4 Supportive Housing Program – Project Reach, Transitions, and Bridges – CFDA # 14.235;
Portals Program – CFDA # 93.556

FINDING

Statement of Condition: During our audit, we tested various agency disbursements for compliance with applicable cost allocation provisions contained in OMB Circular A-133 Compliance Supplement and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. We noted that the agency was utilizing a cost allocation plan; however, supporting documentation was not available for testing certain salary amounts utilized in the plan.

Cause: The agency did not have adequate controls in place to ensure all supporting documentation for amounts utilized in the cost allocation plan was retained.

Recommendation: We recommend that the agency retain all supporting documentation to substantiate amounts utilized in the cost allocation plan.

Management Response: A cost allocation plan has been developed and implemented based on sound accounting practices and in compliance with OMB Circulars A-133 and A-122. The supporting documentation is attached to each allocation plan. The management staff at Community Support Programs, Inc. will perform a time study for certain salaries which are utilized in the basis of the plan.

Community Support Programs, Inc.
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2006

Summary Schedule of Prior Audit Findings

Prior audit findings relative to federal awards are addressed in the accompanying Summary Schedule of Prior Audit Findings. Prior audit findings relative to the financial statements (Yellow Book findings) are addressed below.

2005-B1 - REPORTABLE CONDITION - MATERIAL WEAKNESS

Statement of Condition: As of June 30, 2005, the agency had an operating net asset (deficit) of (\$242,757).

Recommendation: We recommend that the agency employ better budgeting practices to eliminate deficit spending in the future and that management and the Board of Directors meet on a periodic basis to monitor the agency's financial position and to formulate financial plans to eliminate the deficits.

Current Status: See repeat comment in current year audit.

2005-B2 - REPORTABLE CONDITION

Statement of Condition and Criteria: During our audit, we noted the following concerning the agency's financial management system:

- The accounting records, including general ledger and bank reconciliations, were not maintained on an accurate and current basis throughout the year.
- Bank reconciliations were not reviewed and approved by a responsible individual during the year.
- Financial reports submitted to the various funding sources were not reconcilable to the underlying accounting records.
- In-house budgetary financial statements comparing budgeted to actual results were not utilized throughout the year for monitoring purposes.
- The agency's procedures require two signatures on all checks written over \$500. We noted numerous checks over \$500 with only one signature.

Recommendation: We recommend that the agency establish procedures to ensure that it has an appropriate financial management system in place and that all financial activity is properly monitored on a regular and consistent basis. We further recommend the following:

- The agency's accounting records, including general ledger and bank reconciliations, should be brought up to date immediately and should be maintained on an accurate and current basis.
- Bank reconciliations should be reviewed and approved by a responsible individual on a monthly basis.
- Financial reports submitted to the various funding sources should be prepared from/ reconciled to the underlying accounting records prior to submission. Such reconciliations should be kept in an orderly and organized manner to allow for subsequent reviews.
- In-house budgetary financial statements should be utilized in monitoring the agency's financial position throughout the year.
- The agency should follow its procedure of requiring two signatures on all checks over \$500.

Current Status: Some improvement noted. See repeat comment in current year audit.

(Continued)

Community Support Programs, Inc.
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2006
(Continued)

Prior year management letter comments are addressed below:

Comment #1: Procurement

Improvement noted. No comment in current year audit.

Comment #2: Pay Rate Authorizations

Improvement noted. No comment in current year audit.

Comment #3: Issuance of Checks

See repeat comment in current year audit.

Comment #4: Late Submission of Audit Report

Audit report submitted timely for current year.

Comment #5: Authorizations for Deductions

See repeat comment in current year audit.

Comment #6: Payment from Vendor Statements

See related comment in current year audit.

Comment #7: Voided Checks

See repeat comment in current year audit.

Comment #8: Reconciliation of 941 Reports

See repeat comment in current year audit.

Comment #9: Accounts Payable

Improvement noted. No comment in current year audit.

(Continued)

Community Support Programs, Inc.
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2006
(Continued)

Corrective Action Plan for Current Year Audit Findings

There are six findings for the current year audit ended June 30, 2006, as described in the accompanying Schedule of Findings and Questioned Costs.

There are five management letter comments for the year ended June 30, 2006. Management's response to these comments is as follows:

Comment #1: Issuance of Checks

An employee independent of all payable, disbursing, cash, receiving and general ledger functions will have custody after signature and before mailing. The CEO or a Division Director will handle payroll checks.

Comment #2: Authorizations for Deductions

Each employee has authorized his/her deductions either by completing new paperwork or initialing and dating paper work.

Comment #3: Credit Card Payments

No payments will be made for credit card charges without reconciliation of detailed vendor invoices/receipts to amounts appearing on statements.

Comment #4: Voided Checks

All voided checks will be retained and filed in numerical order, with the signature lines properly mutilated to prevent future use.

Comment #5: Reconciliation of 941 Reports

The payroll tax reports will be reconciled to the general ledger on a quarterly basis.

COOK & MOREHART

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Management Letter

December 22, 2006

Board of Directors
Community Support Programs, Inc.
Shreveport, Louisiana

We have audited the financial statements of Community Support Programs, Inc., for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. In planning and performing our audit of the financial statements of Community Support Programs, Inc., we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Community Support Programs, Inc.

Comment #1: Issuance of Checks

During our audit, we noted that checks were being returned to the accounting department for mailing after necessary signatures had been obtained.

We recommend that the custody of checks after signature and before mailing be handled by an employee independent of all payable, disbursing, cash, receiving, and general ledger functions.

Comment #2: Authorizations for Deductions

During our testing of payroll transactions, we noted that the agency was unable to locate the employees' authorizations for other deductions for all transactions selected for testing.

We recommend that the agency obtain signed authorizations for all deductions being withheld from employee checks.

Comment #3: Credit Card Payments

During our audit, we noted several instances where payments were made for credit card charges without having the detailed supporting document to support amounts paid. Payments were made based upon statements received from the vendors.

We recommend that no payments be made for credit cards charges without reconciliation of detailed vendor invoices / receipts to amounts appearing on statements.

Comment #4: Voided Checks

During our audit testing, we selected supporting document for four checks which the agency indicated were voided checks. The agency was unable to provide us with the original voided checks.

We recommend that all voided checks be retained and filed in numerical order, with the signature lines properly mutilated to prevent future use.

Comment #5: Reconciliation of 941 Reports

During our audit, we noted that the agency was not reconciling the salaries reported on its 941 payroll tax reports to the salaries accounts in its general ledger.

We recommend that the payroll tax reports be reconciled to the general ledger on a quarterly basis.

We express sincere thanks to the Community Support Programs, Inc. personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.

A handwritten signature in cursive script, appearing to read "Cook & Morehart", written in black ink.

Cook & Morehart
Certified Public Accountants